



PORTLAND ADVANTAGE PLUS - MCKINLEY FUND



PORTLAND
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OWNERS. OPERATORS. AND INVESTORS.

(as at October 31, 2018)

	Net Asset Value Per Unit (as at October 31, 2018)	Annual Distribution Rate ¹ (as at October 31, 2018)	PERFORMANCE (as at October 31, 2018)					
			1 Month	3 Months	6 Months	1 Year	3 Year [†]	Since Inception [†]
Portland Advantage Plus - McKinley Fund - Series A (CAD)	\$3.7103	16.20%	(43.2%)	(47.2%)	(55.3%)	(53.6%)	(23.3%)	(38.7%)
Portland Advantage Plus - McKinley Fund - Series F (CAD)	\$3.7053	18.90%	(43.2%)	(47.0%)	(55.1%)	(53.1%)	(22.4%)	(37.9%)
S&P/TSX Composite Total Return Index	-	-	(6.3%)	(7.9%)	(2.3%)	(3.4%)	6.7%	3.6%

FUND FACTS

Fund Net Assets	\$1.4 million CAD
Inception Date	April 30, 2014
Fund Type	Alternative Strategies
Offer Document	Offering Memorandum
Eligible for PAC Plans	Yes, monthly minimum of \$500
Eligible for Registered Plans	Yes
Purchases and Redemptions	Monthly with no minimum investment term or redemption fee

HOW THE FUND IS MANAGED

- Focused investing in a limited number of quality equity securities with an emphasis towards: large capitalization, high liquidity, relatively high dividend yields and long-term growth industries
- Leverage by purchasing securities on margin, ordinarily expected to be up to 50% of the Portfolio (market value of securities)

KEY REASONS TO INVEST

- Income through targeting fully funded monthly distributions
- Above average return over the long term through a focused portfolio of quality equities, ordinarily selected from liquid, large cap, dividend-paying stocks at what we believe are attractive valuations
- Use of leverage to enhance the power of dividends
- Embedded product leverage is non-recourse to individual investors

PORTFOLIO COMPOSITION

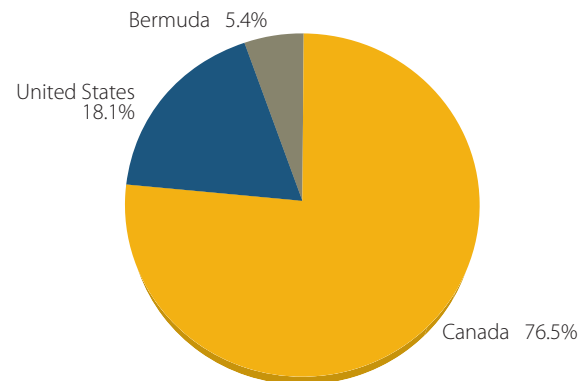
- Focused portfolio of select companies domiciled in long-term growth industries
- Emphasis on relatively higher dividend yielding securities
- Multiple sectors

PORTFOLIO MANAGER

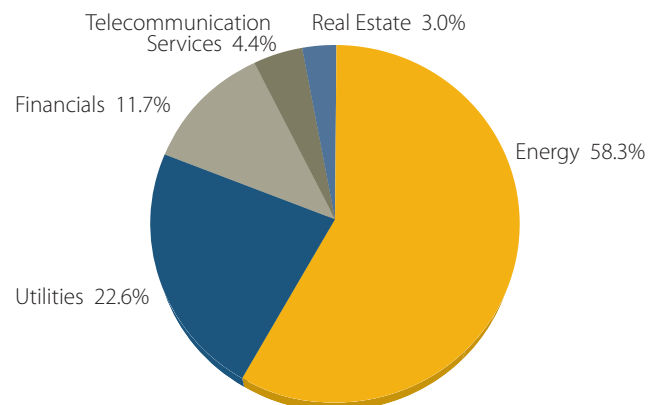
Michael Lee-Chin, B.Eng., LL.D (Honorary)
Executive Chairman, Chief Executive Officer
and Portfolio Manager

Dragos Berbecel, BComm., MBA, CFA
Portfolio Manager

Geographic Mix (as a % of total assets)



Sector Mix (as a % of total assets)



Asset Mix (as a % of net asset value)

Equities	316.0%
Other Net Assets (Liabilities) ¹	(1.1%)
Cash	(216.8%)

Leverage Ratio ³	67.9%
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Top Holdings	Percentage of Total Assets	Dividend Yield ⁴
Crescent Point Energy Corp.	22.0%	5.8%
Cardinal Energy Ltd.	13.1%	10.8%
Whitecap Resources, Inc.	11.1%	5.0%
Pattern Energy Group Inc.	10.2%	9.4%
Baytex Energy Corp.	9.7%	0.0%
TransAlta Renewables Inc.	7.1%	8.7%
Ares Capital Corporation	5.0%	9.1%
IGM Financial Inc.	3.7%	7.0%
The Bank of Nova Scotia	3.0%	4.8%
Brookfield Property Partners L.P.	3.0%	6.5%
AT&T Inc.	2.9%	6.5%
Northland Power Inc.	2.9%	5.9%
Bonterra Energy Corp.	2.4%	8.1%
Brookfield Infrastructure Partners L.P.	2.4%	5.0%
BCE Inc.	1.5%	5.9%

FUND COMMENTARY (as at September 30, 2018)

For the period of June 30, 2018, to September 30, 2018, the Fund's benchmark, the S&P/TSX Composite Total Return Index had a return of -0.6%. For the same period, the Fund's Series F units had a return of -11.9%. Unlike the Index, the Fund's return is after the deduction of its fees and expenses. The Fund's underperformance was due to the Fund's energy sector (overweight) and financials (underweight) holdings negative relative contribution, partly offset by the positive relative contribution of the Fund being underweight (no exposure) to the materials sector and the selection effect in the utilities sector. The Fund's leverage amplified the underperformance.

The Fund's net asset value at September 30, 2018 was \$2.8 million.

The Fund has preserved its significant exposure to energy holdings, which, as at September 30, 2018, constituted 44.1% of the portfolio's assets.

Over the course of the past three months, the energy markets have continued their journey towards recovery, meandering around news related to the Organization of Petroleum Exporting Countries (OPEC)/Russia agreed production caps, production related developments in the U.S. shale (in particular the Permian basin) and weekly crude oil and refined product U.S. inventory levels. During the reporting period, the West Texas Intermediate (WTI), the North American crude oil price benchmark, moved from \$74.15/barrel (bbl) to \$73.25/ bbl, a roughly 1% decline over the period. Crude oil prices trended lower in the earlier part of the period, driven by concerns over the demand effects of the potential tariff wars, emerging markets slow down and Donald Trump's tweets. Prices have since recovered steadily as the date for the re-imposition of Iran sanctions (November 4th) moved closer and there has been plenty of evidence that compliance with the sanctions

by the importing nations is likely to be stronger than initially expected. At the same time, global demand seems to be increasing steadily, with IEA currently expecting demand to exceed 100 million barrels per day (bpd) by the end of this year. Unfortunately, the performance of our energy holdings has lagged during the period, as has the Canadian oil and gas producing sector as a whole. The Western Canadian producers continue to grapple with serious market access issues (lack of transportation infrastructure, in particular pipelines) which have caused crude oil price differential between the WTI and Western Canadian Select, for heavy crude, and Edmonton Par, for light crude, to expand dramatically. To this point, as we write this, a Canadian Heavy producer is only receiving about 40% of the WTI price for its crude. The causes for such a discrepancy are numerous, with some more transitory, but substantially related to the lack of regulatory and governmental support for new pipelines. During the period, the Trans Mountain expansion project, which the Canadian federal government acquired for roughly CAD \$5 billion from Kinder Morgan Canada Ltd., was stopped in its tracks by a court ruling. Other factors impacting the differential were an increase in the heavy oil production from some of Suncor Energy Inc.'s properties, a key refinery temporary shut-down, maintenance work at refineries and lower than expected shipments of crude by rail.

The Manager continues to believe that the fundamental operations of our energy holdings remain robust while their economics are gradually improving in a recovering energy market. As such, we have continued to maintain elevated levels of exposure to the energy sector, through our oil and gas exploration and production holdings, and plan on doing so until we see a substantial recovery in the energy space. We've said many times in the past that low oil prices are unsustainable, and the significant curtailment in oil and gas capital expenditures, amounting to some \$1 trillion in overall spending cuts towards finding and developing reserves by 2020, has created the conditions for demand to catch up with supply.

During the period, Baytex finalized its acquisition of Raging River Exploration Inc., which changed its production profile to the point to which heavy crude is a considerable lower proportion of its revenues. Crescent Point Energy Corp. appointed a new CEO in the person of Craig Bryksa, an internal candidate with a long track record of overseeing the company's operations, and presented a revamped strategy for addressing investor concerns around capital discipline and production per share growth. Whitecap Resources Inc. continued to deliver strong operational performance and cash flow, which has been supporting its very rational buy-back program.

Outside of the energy space, the performance was positive, driven by our real estate and communication services holdings.

From a macro-economic perspective, even though the exceptionally accommodative conditions are subsiding, bound by an accelerating economy and record tight labour markets, we are still in uncharted territory. The U.S. unemployment rate has dropped to levels not seen since the 1960s and wage growth has finally picked up, more recently to a 2.9% pace. Coupled with a more than 50% price increase in crude oil and its related derivatives, but also an increase in prices of some of the core goods and services, and, possibly, the imposition of tariffs, the ingredients for a more buoyant inflation environment are in place. As the U.S. Fed feels compelled to continue on its tightening path and as the policy rates are approaching their current or longer-run equilibrium levels, the chance for a miscalculation increases. The fallout from a monetary policy misstep is unlikely to be significant in such a robust economic environment, however, when coupled with other potential



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policy errors, perhaps around trade tariffs; it could trigger more serious economic consequences. Improving economic prospects and a pick-up in the inflation pace has boosted our outlook for U.S. equity returns in nominal terms, though the risk factors mentioned earlier, in particular trade related developments and the pace of monetary tightening, could materially affect the ultimate outcome.

Canada affords a somewhat different perspective. At more than 170% of disposable income, Canadian household credit continues to be stubbornly high, with the recently announced normative measures just about managing to put a dent into Canadian's propensity for accessing credit. The household credit growth slowed down at the end of 2017 and into 2018. On this background, recent retail sales growth has slowed down in Canada, and it is unlikely to recover, unless the diminished "wealth effect" from housing cooling down is replaced by either recovery in the resources space and/or acceleration of activity in manufacturing and services outside of the white-hot residential investment (housing) sector. Canada has seen significant losses in relative competitiveness as the U.S. administration implemented drastic pro-business measures, not the least of which being massive tax cuts and deregulation. During the period, U.S., Canada and Mexico have negotiated a new trade agreement, the U.S.-Mexico-Canada Agreement (USMCA), which still needs to be ratified by the legislatures. The new agreement's provisions do not seem to be a significant departure from NAFTA. Canada is significantly more dependent on favourable trade terms with the U.S. and Mexico due to foreign trade's larger contribution in the creation of GDP, but also because of its reduced relative competitiveness, slower economic growth and self-inflicted infrastructure shortcomings (chiefly lack of pipeline capacity). The country's abundant natural resources are presently severely restricted from reaching the fast growing Asian markets. Subsequent to the quarter end, a consortium led by Royal Dutch Shell PLC announced a final investment decision for LNG Canada, a major liquefied natural gas export project which will help debottleneck the prolific Montney gas basin. Though not fully functional until about 2025, it is a ray of hope. The pick-up in inflation has marginally increased our outlook for nominal returns in Canadian equities, assuming the key risk factors, including further trade negotiations, buildout of key infrastructure projects, the state of the housing market and the pace of monetary tightening, remain balanced.

As at September 30, 2018, based on the Fund's total assets, the top 5 sector exposure was constituted by energy 44.1%, utilities 23.4%, financials 15.6%, telecommunication services 11.0% and real estate 5.9%. The Fund makes use of low cost leverage to invest in a portfolio with a dividend yield that currently provides a substantial spread over the cost of borrowing. Based on settlement date activity, leverage was, as of September 30, 2018, 69.0%. The Manager believes that the stream of dividends generated by the underlying investments provide an attractive entry point for investors looking for equity based high yield. As of September 30, 2018, the Fund provides a 10.6% distribution yield for investors in the Series F units of the Fund.

Going forward, we believe that the Fund is well positioned to meet its investment objectives, which are to provide income and achieve, over the long-term, an above average return by combining a leveraged investment strategy with focused investment, primarily in a limited

number of long securities positions.

RISK MANAGEMENT STRATEGY

The Manager relies on the following risk mitigation measures:

- Portfolio construction
- Buffers against margin calls
- Companies with relatively higher dividend yields, lower volatility and diversified by sector
- Intending to preserve excess margin or 'buffer'
- Reduce the impact of rising interest rates through emphasis on investments that are positively correlated with economic growth
- Value discipline

POTENTIAL RISKS

While the Manager exercises prudence and due diligence throughout the investment process, no guarantees can be given to offset a risk of loss and investors should consult with their Financial Advisor prior to investing in the Fund.

The Manager believes the following risks are key to the Fund's performance: leverage, interest rate changes, dividend yields, highly volatile markets and equity risk. Please read the "Risk Factors" section in the Offering Memorandum for a more detailed description of all the relevant risks.



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FUNDSERV CODES

Fund Name	SERIES A	SERIES F†	SERIES N
Portland Advantage Plus - McKinley Fund - CDN\$	PTL940	PTL935	PTL930
Portland Advantage Plus - McKinley Fund - USD\$	PTL840	PTL835	PTL830

*Generally only available through dealers who have entered into a Portland Series F Dealer Agreement

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† Annualized.

1. Distribution yields are based on the net asset value per unit divided by a full month distribution rate.
2. Other Net Assets (Liabilities) refers to all other assets and liabilities in the Fund excluding portfolio investments and cash.
3. Leverage ratio is calculated as the total borrowing divided by the fair value of securities and does not take into account other Net Assets (Liabilities) as defined above.
4. Dividend Yield – Annual dividends divided by the share price.

Additional Sources: Bloomberg, Thomson Reuters

The Portland Advantage Plus – McKinley Fund is not publicly offered. It is only available under prospectus exemptions and other exemptions available to investors who meet certain eligibility or minimum or maximum purchase requirements. Currently these exemptions include the accredited investor exemption and the \$150,000 minimum purchase exemption for institutional investors. Information herein is pertaining to the Fund solely for the purpose of providing information and is not to be construed as a public offering in any jurisdiction of Canada. The offering of Units of the Fund is made pursuant to an Offering Memorandum and the information contained herein is a summary only and is qualified by the more detailed information in the Offering Memorandum. If there are any discrepancies between this document and the Offering Memorandum, the Offering Memorandum is deemed correct. Commissions, trailing commissions, management fees and expenses all may be associated with investments. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and does not take into account sales, redemptions, distributions or optional charges or income taxes payable by any securityholder in respect of a participating fund that would have reduced returns. Funds are not guaranteed, their values change frequently and past performance may not be repeated. The portfolio is expected to generate income from dividends, interest and option writing income, which after deduction of expenses, will be distributed by the Fund to unitholders. Assuming the expected level of income is received, the portfolio would not be required to appreciate. If the level of income is less than the amount necessary to meet the target distribution, the Manager may either pay out a lower distribution or supplement the amount needed through net realized capital gains from the portfolio or may return a portion of the capital of the Fund to unitholders in which case the distribution would not have been fully funded as the net asset value would be reduced. Distributions are reinvested automatically in additional units of the Fund. No commissions are payable upon automatic reinvestment of distributions.

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